

Best bits: our live Q&A on challenges for government and public sector

A round up of insight and opinion from our online debate on the most serious challenges for the public sector.

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What challenges lie ahead for government and the public sector? Photograph: Dominic Lipinski/PA

On January 11 the [Public Leaders Network](#) ran a live Q&A supported by Ernst & Young looking at the biggest challenges facing the UK government and public sector. Here's our round up of the main points of the discussion.

Tony Travers, director of the Greater London Group at the London School of Economics

The key challenge facing the UK public sector is the scale and length of the adjustment (generally downwards) to **real expenditure and to spending as a share of GDP**. Given the overriding government commitment to deficit reduction (which will now probably take until 2016-17 or 2017-18), it is near-certain that most parts of the public sector will face zero real terms increases or (for most) real reductions in spending for **at least six more years**. Even if the deficit is eradicated, there will then (after 2017-18) be a question of how to fund real spending increases at a rate faster than growth in the economy - 2.5% per year if things get back to 'normal'. The NHS, in particular, will find this length of constraint and the longer-term need for slower rises in spending very problematic.

In short, Britain faces an **historic adjustment to the scale of public expenditure** that will require major changes to what is delivered and how.

There is clearly a problem when the broadly accepted need to reduce the deficit (though the speed of doing so is contested) leads to expenditure reductions which, in turn, produce a negative response to every single change. What I suspect we are learning is that **the political benefit of increasing public spending by £1 is miniscule as compared to the political cost of cutting spending by £1**.

It is hard to produce a constructive proposal for handling this issue, as Britain's aggressive and confrontational political system makes political consensus on such issues virtually impossible.

Craig Dearden-Phillips, founder of Stepping Out, author and columnist

This year's colour seems to be community budgets, which plays into the localism bill and the wider big society idea. What sits, consistently, behind the different fashions is, I think, **a long term drive away from public sector led provision and an adjustment in the role of the state, locally and nationally, into an intelligence-based influencer**, using its spend and its relationships more than its direct provision as its main capability.

The big question coming out of all of this is whether a) this is the right approach and b) whether localism is in itself a good thing, or a selective means to particular ends. I think that the state as facilitator, more than provider, is, by and large, the best use of its capabilities if it is to be citizen rather than producer-driven (as councils historically have been). On localism, I think its virtues are overclaimed and culturally it is not particularly aligned to this country's approach to government - which has been centralised since the Domesday Book and puts 'accountability' ahead of the less certain lure of 'empowerment' when it comes to local services.

You can see it all in the numbers. **Very little financially is ever, in reality devolved to community level or genuinely pooled.** That which is tends to be controlled to death. Sometimes this is sensible, often it is not.

Particularly in the north of England, we have **councils which are confident and competent enough to be quite imaginative in response to their particular public health issues.** Scotland's experience - where the government is far more proactive on alcohol - shows what can be done when opportunity to experiment is offered. OK the Scottish Government and UK local authorities are different things, but the point here is that the power of competence in the Localism Bill should, hopefully, see **some experimentation away from the guidance-based safe-playing we have come to expect from local government.**

Elke Loeffler, chief executive of Governance International and member of our editorial advisory board

From my perspective there are three key issues:

1) There is a need to change traditional public service delivery by **involving service users and community** more in the way public services are commissioned, designed, delivered and assessed. At present, we do not make full use of the expertise, energy and willingness to volunteer of society. **We also do not make good use of the creativity and ideas of front-line staff working in public services.** We can no longer afford to waste these resources.

2) Public sector leaders need to develop **the courage and techniques to define priorities.** This means saying explicitly what we have to stop doing! So far this debate has not taken place but we all know that **business as usual will be impossible given the fiscal situation** in the UK and elsewhere in Europe.

3) This brings me to the last big challenge for the UK public sector. While the EU member countries need to do 'their homework' and deal with the EURO crisis **the UK must be careful not to get isolated in Europe.** This would not only have negative impacts on business but also on public agencies. We can no longer afford to re-invent the wheel but need to learn from innovations elsewhere!

What is needed is a **new public service compact** in which the central role of professionals is to support, encourage, and coordinate the capabilities of service users and the communities in which they live.

Moreover, **there is a need for a new type of public service professional: the engaging development officer**, who can help to overcome the reluctance of many professionals to share power with users and their communities and who can act internally in organisations (and partnerships) to broker new roles for co-production between traditional service professionals, service managers, and the political decision makers who shape the strategic direction of the service system.

Matt Cavanagh, associate director at the Institute for Public Policy Research (IPPR)

My view of the top three priorities for the next 12 months would be:

1. Maximizing our chances of returning to growth
2. Tackling unemployment, especially **youth unemployment, and the increasing number of long-term unemployed** – we know from previous recessions that long term youth unemployment in particular can scar people throughout their working life
3. Dealing with these and the other challenges we face within the severe fiscal constraints on government - which means that as a country **we need to be prepared to make tough choices**. For example, IPPR believes that the government should offer a job guarantee for all those out of work for more than 12 months - matched to an obligation to take it up - but given the fiscal situation, we may need to prioritise this (i) outside London and (ii) for young people, and we may need to fund it by cutting for example the winter fuel allowance

We also believe that while these immediate challenges are the first priority, we mustn't let them entirely crowd out the **serious thinking we need to do on the longer term challenges facing the public sector** - dealing with the big issues of the future like universal childcare, or the various challenges that come from an ageing population - and also on the changing role of the state and how it delivers high quality public services in an era of lower spending.

An even bigger issue though is **how can we transition away from a "national illness service" to a national promoting-good-health service** – especially in a fiscal context where we can't expect extra money to be found for prevention.

Professor Tony Dean, former civil servant and academic working at the school of public policy and governance at the University of Toronto

Initial thoughts on challenges:

First, the sheer pace of change and almost daily political directives about the shape and nature of public service delivery. **These days I suspect many civil service managers would consider a 12-month gap between major change initiatives to be a luxury.**

The civil service needs a clear and sustainable game-plan – with overall direction from the PM and cabinet but led and implemented by the head of the civil service. My sense is that Sir Bob Kerslake will understand this and make an effort to act on it.

Second, **the shift towards localism implicit in initiatives such as Total Place/community budgets is both an opportunity and threat**. An opportunity because it breaks through departmental and agency silos, is sensitive to local

demographics and needs, and offers the opportunity of aggregated budgets aligned to big and pressing priorities. It will become a threat if too much money is cut from local budgets on an across-the-board basis up front – which appears to be happening.

Third, **a high level and more strategic role for HR must continue to be pushed towards centre-stage**. There is so much wrapped up in this, including: Advice and leadership on culture change, professional development, employee engagement, incentives, efforts to retain younger future leaders, and performance management. But HR is often undervalued and understated. Ernst and Young mention this in their report.

The bottom line is that there should be a unified and well communicated plan for reform of the civil service and public services. Implementation should fall to the leadership of the civil service with oversight from the Prime Minister or another senior minister/s. There should be clear points of accountability for results, and frequent and transparent reporting on progress.

Brendan McCarron, management and leadership consultant leads CIPFA's chief financial officer leadership academy programme

Defining what we want government to do is a long-term project that we all need to engage with because it sets the context for challenges for the government and public sector.

For instance, **in our near-term efforts to get out of the financial crisis, we may set in course a chain of events that create a defacto role for government that, longer-term, none of us really want**. Who knows what the long term effects of tighter financial regulation on the economy will be; growth or recession?

Part of the leadership agenda must be the identification of the nature of the challenge. It strikes me that **we may need a revolutionary approach that will be painful for a lot of people in the public sector for a lot of time** until a re-adjustment to the new status quo of a smaller, more enabling government occurs.

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